A paranoid's guide to tax planning

The story behind General Motors' cutbacks

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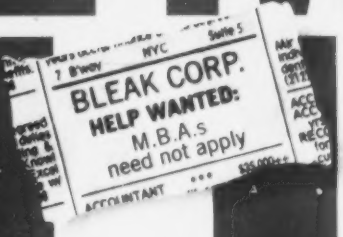
January 20, 1992 Four Dollars

Forbes

THE MBA GLUT



"Three years ago MBAs were everything here. Now we're not sure that what we're getting for the money is much better than hiring a spunky young BA and training him." – a senior investment company official

"I tell my MBA friends, 'We're the lawyers of the Nineties, there are too many of us.' " – newly minted Yale Management graduate

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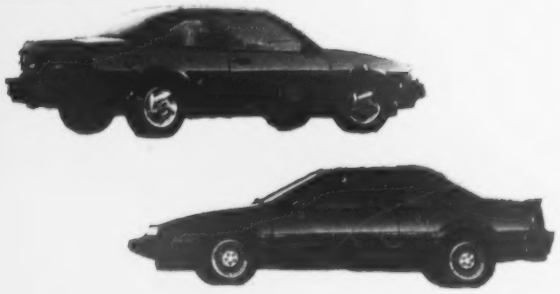

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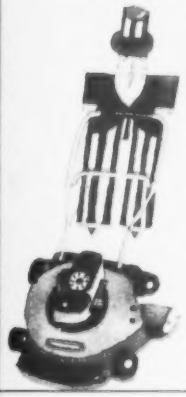

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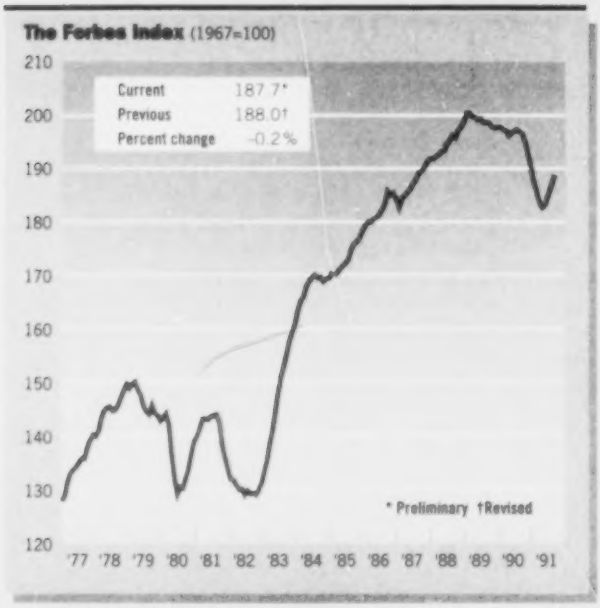
THE FORBES INDEX

BY TIMOTHY DODMAN



Are lower interest rates a quick stimulus to the housing market? It hasn't happened yet. Only 75,300 homes were started in November 1991. If the December figure comes in below 52,000 units, it would bring the 1991 total to fewer than 1 million starts, making last year the worst year for homebuilding since 1982. Mortgage rates may be a bargain, but people are reluctant to buy when they hear about layoffs and see home prices falling in many regions. Earned income, an annualized $2.8 trillion in November, has barely kept up with inflation over the last 12 months.

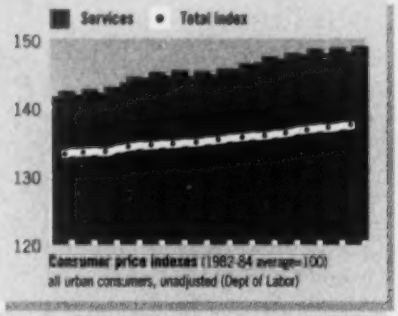
Other key rates	Source	Status
Prime rate	Chase Manhattan Bank	6.5%
Auto sales year to date vs 1990[1]	Ward's Automotive	-11.3%
Index of leading indicators Oct vs Sept	Dept of Commerce	0.1%
Trade balance 12 months ended Oct 1991	Dept of Commerce	-$71 bil
All-commodity producer price index Nov vs Oct[2]	Dept of Labor	0.0%
GDP 3rd quarter vs. 2nd—annualized growth	Dept of Commerce	1.8%
M2 (3-month change)—annualized growth[3]	Federal Reserve	1.4%

[1] U.S.-based manufacturers, excludes imports, as of 12/10/91. [2] Wholesale goods. [3] Includes M1 (public currency and checking deposits) plus savings accounts and money market funds.

Index components

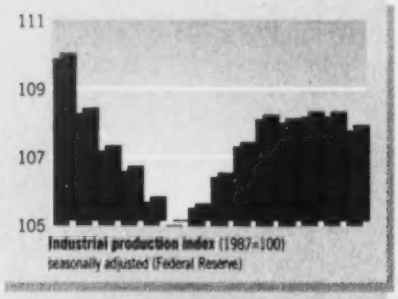
The Forbes Index is a measure of U.S. economic activity composed of 8 equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, new housing starts, total retail sales, the level of new orders for durable goods compared with manufacturers' inventories, personal income, total consumer installment credit.

To measure these 8 elements, FORBES monitors 10 series of U.S. government data. The last 14 months' data for each series are presented below.



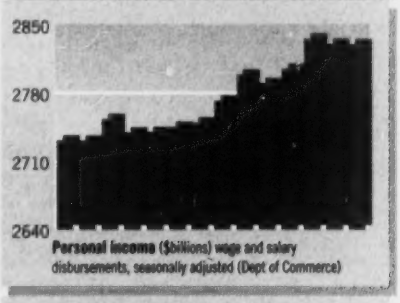
Consumer price indexes (1982-84 average=100) all urban consumers, unadjusted (Dept of Labor)

Manufacturers' new orders and inventories ($billions), seasonally adjusted (Dept of Commerce)

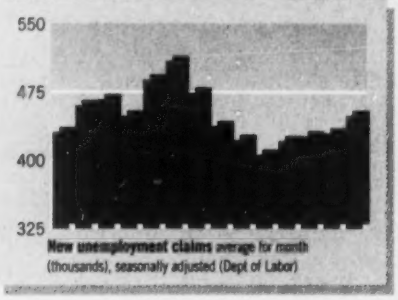


Industrial production index (1987=100) seasonally adjusted (Federal Reserve)

New housing starts (thousands) privately owned, unadjusted (Dept of Commerce)



Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept of Commerce)



New unemployment claims average for month (thousands), seasonally adjusted (Dept of Labor)

Retail sales ($billions), seasonally adjusted (Dept of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

O N D J F M A M J J A S O N O N D J F M A M J J A S O N O N D J F M A M J J A S O N

Israeli stocks were hot last year. This year could bring more of the same, at least for technology exporters.

Investing in Israel

Rick Rosen/SABA

By Matthew Schifrin

THE LATE Robert Maxwell may have overpaid for media properties, but he sure had a hot hand when it came to investing in Israeli technology companies. In 1989 Maxwell invested $39 million in Herzlia-based Scitex Corp. Ltd., a computer imaging systems maker. By the time the publisher was buried on the Mount of Olives in November, Scitex had netted at least a $200 million profit for Maxwell's Mirror Group Plc. after an October stock offering.

Israeli stocks sizzled last year. Shares in the 28 Israel-based companies most widely traded in the U.S. rose by an average of 150% during 1991, partly because they were so heavily discounted in the runup to the Gulf war, and partly thanks to the prospects for Middle East peace. Israel's economy, moreover, is looking healthier. Inflation, for instance, is now running at around 18% a year, down from 330% in the early 1980s. In November it was effectively zero.

What lies ahead for Israeli stocks? A good person to ask is a cigar-toting industrialist named Aharon Dovrat. He immigrated to Israel from Argentina in 1959 and later helped steer Maxwell into his successful Israeli investments. He built Clal (Israel) Ltd., a Tel Aviv-based conglomerate, from revenues of $20 million in 1965 to $1.7 billion today. Dovrat, 60, is now an investment banker. His merchant banking firm of Dovrat, Shrem & Co. recently purchased Budget Rent-A-Car's Israeli franchise and has been working on a half-dozen public stock offerings. Dovrat is selectively bullish. He worries about the strains on the fragile economy caused by surging immigration of Soviet Jews, and advises investors to be cautious of Israeli

Potential peace dividends

Company/business	Exchange	Market cap ($mil)	Sales latest 12 mos ($mil)	Price Recent	Price % change over 12 mos	P/E latest 12 mos	Debt/ equity
Scitex Corp/imaging systems	o-t-c	$1,288	$400	34½	128%	13	8%
ECI Telecom/telecommunications systems	o-t-c	600	100	42½	252	30	12
Teva Pharmaceuticals/pharmaceuticals	o-t-c	458	344	16	44	11	51
Elbit Computers Ltd/computer systems	o-t-c	400	399	24⅜	77	16	31
Elscint Ltd/medical diagnostic instruments	NYSE	342	185	4½	100	21	25
PEC Israel Economic Corp/holding company	Amex	243	41	30⅞	129	10	11
Elron Electronic Industries/holding company	o-t-c	242	465	15	140	13	53
Bio-Technology General/biotechnology	o-t-c	178	4	8⅜	540	NA	87
American Israeli Paper Mills/paper products	Amex	154	275	40½	38	13	41
Lannet Data Comm/computer networks	o-t-c	154	23[1]	15¼	17[2]	NA	0

[1]1991 estimate. [2]Public since 10/16/91. NA: Not available.

Sources: Standard & Poor's; Media General; Forbes.

Israeli stocks trading on U.S. exchanges sizzled last year. Still, many are neglected by Wall Street, and some are modestly priced and could make attractive buys.

Israeli financier Aharon Dovrat **Guided Maxwell's hot hand in Israel.**

businesses that depend on the local market. Stocks that fit the bill include property developer Israel Land Development, wood products maker Etz Lavud, American Israeli Paper Mills and leading food and confectionery maker Elite Industries, which is currently involved in a domestic price war. Also to be avoided: Israeli biotech companies that have been run up in the biotech craze on Wall Street.

But Dovrat does see opportunity in technology and software companies that derive most of their income from exports. He singles out four: Scitex Corp., Elbit Computers Ltd., ECI Telecom Ltd. and Lannet Data Communications, which recently went public. Dovrat knows these companies well. He has served on the boards of all but one.

He thinks Scitex still has a lot of growth ahead of it. The $430 million (estimated sales) company makes imaging equipment for the publishing industry, and it is well placed politically: Its operations in Israel are run by Yair Shamir, son of the prime minister. Scitex shares, traded over-the-counter in the U.S., have more than doubled in the last 12 months. Even so, at a recent 34 a share, the virtually debt-free company sells for around 13 times trailing earnings and 11 times 1992 estimates. "If Scitex were based in Boston," says Dovrat, "it would be selling at twice the price."

Another of his favorites, Elbit Computers, has shifted from defense electronics to medical and industrial applications. In 1990 nearly 85% of Elbit's $363 million in sales came from exports, roughly 55% from civil applications. Elbit's stock is up 77% in the last 12 months but still sells at around 16 times last year's earnings.

ECI Telecom makes telephone circuit multiplication equipment, which enables one cable to carry 16 conversations. Its big customers include AT&T, British Telecom and MCI. With help from Dovrat, ECI, too, has been diversifying away from its military applications. Last year it earned nearly $25 million on $110 million in sales. ECI Telecom recently traded at 42 over-the-counter, 24 times 1992 estimated earnings.

A fourth pick, Lannet Data Communications, designs and manufactures "intelligent hubs" and other equipment for local area networks, used to link mainframes and microcomputers. Since 1987 Lannet's sales have climbed from less than $800,000 to about $23 million in 1991. Only 10% of its revenues come from Israel, 60% come from Europe, and around 20% from the U.S., where the company is aggressively trying to expand. Debt-free Lannet should earn about $1 per share this year and recently sold over-the-counter at 15. (Dovrat sits on the board.)

Dovrat also likes Elron Electronic Industries, a holding company that invests solely in technology firms; among its public holdings are Elbit and Elscint. Elron's o-t-c shares have also doubled but still have a below-market multiple of 13 times trailing earnings.

Aside from those listed here, Americans can buy Israeli stocks, denominated in shekels, on the Tel Aviv stock exchange. But, according to Herb Ostroff, publisher of the Tel Aviv-based business weekly *Israel Business Today*, the exchange can be relatively illiquid, most disclosure documents are in Hebrew and virtually no U.S. brokers will handle these transactions.

Dovrat is something of a maverick in Israel. He supports land-for-peace deals with the Palestinians and has little but scorn for Israel's socialist traditions. To those who criticize his wealth—he was, at $500,000, including benefits, Israel's highest-paid executive last year—he responds: "In Israel making money is still considered a bad thing."

That's changing, too.

The supply of M.B.A.s is up, but demand is down, and corporate recruiters say business schools have lost touch with reality. All those new touchy-feely courses may entertain the students, but they don't cut much ice in the job market.

Another boom ends

By Dana Wechsler Linden with Jody Brennan and Randall Lane

Fun and games at Indiana University **Trying to bring new relevance to the M.B.A. experience. But do recruiters care?**

DON SUMMA, Harvard College class of '83, hasn't found his master's in business management a ticket to success. He graduated from Yale's School of Organization & Management last May, after having resigned from a glamorous job as an assistant talent agent with Triad Artists, one of the country's leading talent agencies. Two years and $60,000 worth of school bills later, he is unemployed. For whatever comfort it may bring, Summa is not alone. One in four of the M.B.A.s graduating from Dartmouth's Amos Tuck School of Business Administration last spring did so without having accepted a job offer. The number at the University of California at Los Angeles was about 15%. At the University of Texas at Austin, it was nearly 20%. Among Summa's Yale classmates, one-third did not report job placement upon graduation with the master's in public and private management, Yale's equivalent of the M.B.A.

Certainly the recession deserves some blame for all this. But there's something more fundamental going on here: An M.B.A. degree isn't worth what it used to be. The recession has simply worsened a trend of depreciating respect for the once coveted degree. "People aren't saying, 'Boy, I can't wait until our quarterly numbers pick up so we can hire more M.B.A.s,' " warns Associate Dean James Schmotter of Cornell's Johnson Graduate School of Management—one dean not afraid to be candid.

What's the problem? Start with the oversupply of M.B.A.s. Each year the country's 700-plus business schools churn out 75,000 graduates, up from only 5,000 in the 1960s. "I tell my friends, 'We're the lawyers of the Nineties, there are too many of us,' " says Summa.

At the same time, demand is way off. Many industrial companies, such as IBM, GE and Xerox, have been eliminating layers of middle managers—jobs often held by M.B.A.s. For these firms, recruiting in the 1990s is more focused on technical people, such as engineers or accountants. Investment banks and commercial banks, the leading hirers of M.B.A.s during the 1980s, are going to fewer campuses and making fewer offers. In the past, lacking anything more lucrative, an M.B.A. from a prestigious school could always take a bank job. With banks merging, consolidating and cutting back, it will be years before this employer of last resort is back in the market on any scale.

Consider American Express, which hired fewer than 50 M.B.A.s last year, about half the number it hired three years ago. American Express is increasingly looking at applicants from lower on the educational scale: "Just because you have an M.B.A. doesn't mean you walk on water," says Clarissa Gilliam, an American Express senior staffing specialist. "There are undergraduates who are just

as smart." Cheaper and humbler, too.

Even though business is booming for Merrill Lynch, the big securities firm expects to hire only 75 M.B.A.s this year, about half the number hired in 1987. More and more jobs once designated for M.B.A.s are now going to B.A.s.

"Three years ago M.B.A.s were everything here," says a Wall Street recruiting director who insists on anonymity. "Now we're not sure that what we're getting for the money is much better than hiring a spunky young B.A. and training him."

Like just about everyone in the U.S. these days, companies are shopping smarter. They want more for their money and are less willing to pay up for perceived prestige.

Part of the blame lies with the business schools themselves—even the best of them. Smug and arrogant, they chose increasingly to teach what they wanted, rather than what business needed. "We business schools are going through the agony that organizations go through when they become producer-driven," says Richard West, dean of New York University's Stern School of Business. "To a significant degree, we lost sight of our customers—students and corporations."

It was a story not different from those of many once great U.S. industries that enjoyed tremendous growth after World War II, then became complacent and ingrown. A few decades back M.B.A. factories were few in number. In the late 1950s there were about 125 institutions awarding master's degrees in business in the U.S., but 2 of the 125—Harvard Business School and New York University's Graduate School of Business—accounted for 25% of the degrees.

The few schools and their scant output were not highly regarded. Both the Carnegie and Ford foundations came out in the late 1950s with comprehensive evaluations of management education. The reviews weren't kind. The message from both foundations was essentially the same: The nation's business schools were intellectual wastelands—mere trade schools where second-rate students were taught second-rate curriculums by second-rate faculty.

To improve, the business schools were told, they had to

Value for B-school money

IF THE dimming prospects for fresh graduates of many M.B.A. programs *(see story)* don't scare you away from the degree, what should you look for in a business school? A good education, of course, but also an educational investment that makes economic sense.

What's the point of quitting (or not even starting) a good-paying job and going head-over-heels in debt to acquire a degree whose value is probably falling?

Your best bet is still the name-brand, expensive institutions like Harvard, Stanford and Wharton. But realistically, not everyone can get into these elite schools—or afford the $35,000 a year (tuition plus room and board at Harvard) they cost. So we present this list of ten inexpensive business schools that offer the most value for the money.

Criteria? To make our list, a business school had to charge tuition of no more than $10,000 a year (or $18,000 for one-year M.B.A. programs like the one at the University of Pittsburgh).

The schools also had to have a goodly number of corporate recruiters on campus last year and have had a high percentage of last year's graduates with firm job plans at graduation. The schools' graduates also had to attract good salaries.

Beyond the numbers, we applied some subjective criteria based on talking to M.B.A. recruiters from major public and private U.S. corporations.

While you do not see very many famous names on this list, the caliber of the schools' students is impressive.

Students admitted to the University of California at Los Angeles' John E. Anderson Graduate School of Management, for example, last year scored 640 on the graduate management admissions test, on average—higher than those at all but a handful of other business schools nationwide.

As our rankings show, graduates of these ten schools also do well in the job market.

A few caveats are in order for this and other rankings of business schools. Most of the numbers on which the rankings are based can be problematic in that they are reported by the schools themselves.

That means distortions can occur, intentionally or unintentionally.

School A, for example, may calculate the average starting salary of its graduates earlier in the academic year than does school B.

Those recruiters that make earlier offers—including consulting firms and investment banks—also tend to pay the most. So, all else being equal, school A's students will appear to be better paid than school B's.

Is this or any other list of "the best" business schools definitive? Of course not. But given the combination of student talent, graduates' employment and cost, we think these ten inexpensive schools offer among the best values for the money. –D.W.L.

Forbes honor roll of affordable M.B.A. programs

School	Tuition 1991-92 in state/out of state	GMAT[1]	Acceptance rate[2]	Yield[3]	Starting salary[4]	Employment rate[5]	Recruiters[6]
John E. Anderson Graduate School of Management at U Calif, Los Angeles	$ 2,300 10,000	640	19%	53%	$54,000	85%	200
Graduate School of Business, University of Texas, Austin	960 3,790	631	23	50	44,000	81	300
Kenan-Flagler Business School, University of North Carolina, Chapel Hill	780 6,640	620	13	57	51,500	85	155
Jesse H. Jones Graduate School of Administration Rice University, Houston	8,300	622	35	43	46,700	80	55
Indiana University School of Business, Bloomington	4,160 9,750	610	34	49	46,400	76	242
College of Business and Management, University of Maryland, College Park	4,290 7,680	600	32	57	44,600	83	85
Georgia Institute of Technology, School of Management, Atlanta	2,120 6,280	614	36	57	40,600	70	50
Joseph M. Katz Graduate School of Business, University of Pittsburgh	11,220[a] 18,570[a]	597	44	58	43,500	80	115
Baruch College School of Business and Public Administration, City University of New York	2,600 5,100	560	39	63	41,900	93[c]	400
Terry College of Business, University of Georgia, Athens	2,770[a] 7,360[a] 2,080[b] 5,520[b]	615	29	53	40,200	72	70

[1] Graduate Management Admission Test average score for all accepted students. [2] Percentage of applicants accepted out of those who applied. [3] Percentage of accepted students who chose to enroll. [4] Average starting salary for students who reported job plans. [5] Percentage of class with firm job plans at graduation. [6] Number of companies that interviewed on campus.
a: One-year program. b: Two-year program. c: Includes employed part-time students.

upgrade their faculties. Research-oriented professors were hired and were encouraged to develop analytic tools and concepts that would raise the level of business scholarship.

Over the next few decades, business schools achieved academic legitimacy. Professors won Nobel Prizes in economics. With that legitimacy came respect. Suddenly companies wanted M.B.A.s and ambitious students wanted to become M.B.A.s. By the late 1980s big consulting firms were offering as much as $100,000 to attract the cream of the M.B.A.s from the cream of the business schools. So what if tuition for a Harvard M.B.A. cost $30,000 and even a bargain-priced Rice degree $14,000? If an M.B.A. was almost equivalent to a down payment on a red Ferrari, who would balk at the price?

The customers came flocking in. In 1962 only 6% of all master's degrees awarded in the U.S. were in business administration. Twenty years later 25% were. By the early Eighties 500 institutions were offering the master's in business education and were turning out upwards of 60,000 sheepskins a year, more than triple the number of master's degrees awarded in engineering and more than double the number awarded in the humanities.

It was good business for the universities. Expanding a business school yields a much better return on investment than expanding a biology department: no new $1 million laboratory required. Classes are big (there are about 80 students in the average first-year classroom at Harvard Business School) and tuitions have risen fast—nearly tripling at Harvard since 1980, to $17,500.

Business schools also typically operate at a profit—or operating surplus, to use gentler education lingo. The University of Chicago's latest figures, for example, show the business school contributing over $9 million—fully one-third of tuition income—to the rest of the university.

By the early 1980s trained faculty had become scarce, with three or four vacant teaching positions for every new Ph.D. Teaching salaries shot up, and in 1989 Wharton snatched young finance and economics star Sanford J. Grossman away from Princeton, reportedly for a nine months' salary of $250,000.

But the comfortable business world that the business schools grew up to serve was changing drastically. The 1980s mergers and acquisitions boom, fueled by easy credit and junk financing, brought a wave of consolidations, leveraged buyouts and cost-cutting—resulting in flatter organizations with less middle management. The globalization of business put a new emphasis on product quality, manufacturing management and leadership. A lean cost structure suddenly counted for more than the prestige items, like the top Harvard M.B.A.s.

Even while their business was booming, business school deans started hearing a growing rumble of discontent among corporate employers. The message was consistent: M.B.A. graduates are great with matrices and decision trees but lack practical skills needed to manage in the real world. They aren't being taught about quality in manufacturing or about managing in global markets. Above all, they're not being taught the leadership skills needed to deal with the more diverse work forces of today's flatter organizations. In other words, the deans were told, the graduates you're turning out don't manage very well.

Some business school deans tried to respond to the criticisms but were held back by their faculties, fat and happy in their flood of students and rising pay and perks.

For more than five years, New York University Dean Richard West proposed a dramatic increase in the amount of class time and the elimination of some long-standing courses. The faculty was hesitant—until NYU got an embarrassingly weak ranking in a magazine poll of business school students and recruiters. Within the next year, the faculty approved the plan West was advocating.

However simplistic and questionable their methodologies, these list-compilers did bring the breath of competition to a complacent business. More than one business school dean told FORBES there was a correlation between his school's ranking in a given year and the length of the list of recruiters coming to campus. In Japan the rankings are now used by corporations to decide what American business schools their employees should attend.

Unable to ignore the impact of these popularity contests, how have business schools responded? Not necessarily in the smartest ways. Four years ago the University of Chicago's business school was ranked an unexpectedly low 11th on one survey—because graduates criticized the school's emphasis on theory at the expense of practical training. A few weeks later Chicago's faculty approved a new, noncredit "leadership program" for first-year students. The communications part of the course has been taught by Chicago's Second City comedy troupe. Students are also taught teamwork—on a retreat with Outward Bound. The students love it. In last year's survey Chicago jumped to 4th place.

Class size	Comments
370	Ivy League quality at cut-rate prices.
532	Among the cheapest of all, and known for turning out good technology managers.
187	Less than half the price of neighbor and rival, Duke.
87	Only private school on our list, subsidized by William Marsh Rice's endowment, now at $1 billion.
312	Innovative program starting this year, based on integrating business theory with real business problems.
175	Solid education, near northeastern recruiters.
85	Good finishing school for engineers, top-notch students.
298	Highly regarded one-year M.B.A.—just one year of lost salary.
497	Dirt-cheap commuter school, strong part-time program.
110	Good one-year program open to undergraduate business degree holders.

Similar touchy-feely courses have sprouted up on business school campuses everywhere. Indiana University puts students through a "Challenge course," including the "Peanut Butter Pit," described as a "hazardous crossing event." Students use ropes and other means to cross a pit of simulated quicksand. At Pepperdine University in Malibu, Calif. students learn ethics through a "federal prison visitation program." According to a press release, this involves "meeting with such high-profile white-collar criminals as Ivan Boesky."

But is all this warm-and-fuzzy P.R. nonsense really what employers were asking the business schools for? Of course not. Listen to Richard Beatty, a human resource consultant writing a book on views of M.B.A.s in the work force: "The new programs are quote, nice, unquote," he explains. "But they're barely scratching the surface. I don't know of anyone dealing with real management training and facilitating skills."

Richard West, dean of NYU's Stern School of Business
"To a significant degree, we lost sight of our customers."

Explains Cornell's James Schmotter: "It's a lot easier to contract with Outward Bound than to fundamentally change the curriculum," he says. "There's nothing wrong with it, and students really like it. So that's what we do, and we get credit for it, but it's troubling." These quick fixes may make the students happy, but they are unlikely to change the sense in business that M.B.A.s aren't necessarily worth more than people with other degrees.

Consider the case of one bright young man, Ashok Samuel, 30. Samuel received a master's degree in computer science from City University of New York five years ago and immediately started saving money for the M.B.A. he'd always planned to get. In the meantime, he started working for a New York City-based software development company. Several promotions later, he now manages a research and development group of 15 people and earns an annual income considerably higher than the $75,000 starting salary earned by even the luckiest Harvard M.B.A.s.

And what about his plans for an M.B.A.? Samuel has decided it's no longer necessary. "What am I going to get from it?" he asks. "My management has never told me I lack the skills of an M.B.A. I can pick up any new theories I need on the job or at training programs."

Jeffrey Van Fossen got a bachelor's in mechanical and aerospace engineering from Princeton in 1987. Three years later he applied to the Massachusetts Institute of Technology for a joint M.B.A. and master's in engineering. Van Fossen's career goal: to make it into top management at a manufacturing company.

Van Fossen wasn't accepted by MIT. Disappointed, he went to work as director of a technology transfer center in his native Midwest. He's in contact with 10 or 15 local manufacturers a week. His career goal hasn't changed. But he's decided it's worth going after the engineering degree and not the M.B.A. "The people most effective in manufacturing don't necessarily have M.B.A.s, but they do have technical understanding," Van Fossen says.

The message is gradually sinking in at the schools themselves. Dean John Rosenblum of the University of Virginia's Darden Graduate School of Business Administration predicts that the M.B.A. credential will become less important and business schools will go through the classic shakeout of a mature industry.

The first to go, probably, will be the "M.B.A. mills," at schools like Pace and Fairleigh Dickinson, that staffed up quickly and are not accredited. The business schools that remain will gravitate toward market niches, producing specialists to meet specific customer needs—say, manufacturing or technical management. Some schools have already begun carving out niches: MIT in real estate and technology, Northwestern in marketing, and Wharton in international management.

Rosenblum also predicts that management education will become more of a collaborative effort with industry. There will be more short nondegree educational programs for managers, designed and delivered by universities and companies working together. The University of Virginia already offers nondegree programs tailored to individual corporations such as Hercules Chemicals and Bacardi. Duke offers similar programs to IBM.

A dean who sees an opportunity in this turmoil is Dan Short. Currently associate dean at the University of Texas at Austin, he will take over as dean of Kansas State University's business school in June. "I'm not going to play the M.B.A. game," says Short, explaining that while other schools concentrate on M.B.A. programs, he'll concentrate on the basic undergraduate program. That will mean the students will have to pay for just four years of instruction, instead of five or six, with huge savings of time and money. Short thinks he can deliver a cost-effective product to industry by teaching students to grapple with real-life problems rather than textbook finance and marketing theories. Breaking down walls between courses, Short would combine these disciplines into one integrated program that more resembles the real world.

"We'll slip in and produce a product of higher value," he says. "A higher-quality student to compete against M.B.A.s at lower cost." Educational purists may gasp at such down-to-earth talk, but they would do better to heed it: The country is getting tired of handing blank checks to our institutions of so-called higher learning.

THE FORBES/BARRA WALL STREET REVIEW

BY ERIC S. HARDY

Market watchers are never at a loss for a rational explanation of what happened in the stock market yesterday. Never mind that the explanations don't do you much good when it comes to predicting the stock market.

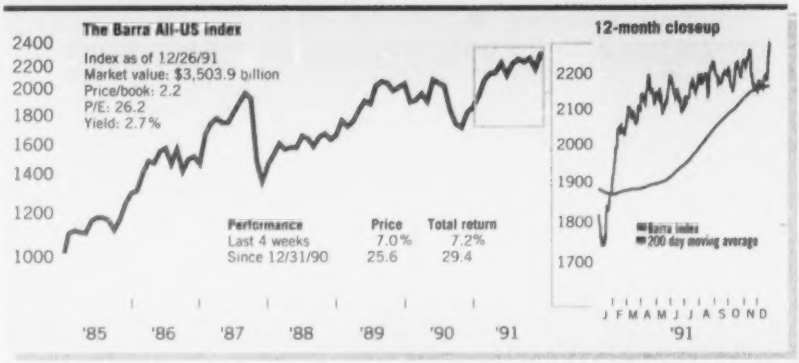
A year ago stocks were climbing because investors expected an early end to the recession—so said the pundits. The recession, though, drags on into 1992. Shouldn't stocks be getting killed? They aren't, and there's a new justification for what is happening: lower interest rates. Late in December, following a cut in the Federal Reserve's discount rate to 3.5%, the Barra All-US index of approximately 5,500 common stocks jumped to a record high.

Is there any reason to buy stocks now, once they have climbed to 26 times earnings? William LeFevre, a market strategist at Tucker Anthony/Sutro, offers a standard one: Stocks aren't so bad, when you consider the low-yielding alternative of fixed-income investments. "Investors who want to make 15% or 16% in 1992 will have to be in the stock market," he says. "You can't get those returns from Treasurys anymore."

Nonetheless, it may pay to take a look back at stock market history. In the early 1950s interest rates were lower than they are now, yet the Dow industrials averaged only 11 times earnings. If there's a good reason a repetition of low interest rates should make stocks worth twice as much now, it isn't apparent in all the euphoria over the Fed move.

For investors who are nervous about today's high P/E ratios but don't want to exit into cash, consider the alternative of relatively high-yielding, low-P/E stocks. John Kaweske, manager of the Financial Industrial Income Fund, has been beating the market with a portfolio that includes a large dose of real estate investment trusts, especially those that own health care facilities. Yields are in the 8%-to-10% range. His choices include Meditrust and Health & Rehabilitation Properties.

The overall-market



Closeup on the market

Index or investment	2-week change	% change from 1 year	% change from 5-year high
Barra All-US index	5.7%	25.6%	0.0%
Sharpe/Barra Growth index[1]	7.0	34.9	0.0
Sharpe/Barra Value index[2]	5.3	19.2	-1.3
Dow Jones industrials	6.5	17.4	0.0
S&P 500	6.1	23.3	0.0
NYSE	5.8	24.0	0.0
Nasdaq	4.3	50.7	0.0
Amex	3.1	24.3	-3.8
EAFE[3]	2.8	8.0	-20.0
CRB index[4,5]	-0.2	-5.5	-23.1
Gold[5]	-0.8	-7.7	-29.3
Yen[5]	-2.2	-7.3	-22.9
Oil[5]	-7.3	-30.7	-55.0

The best and worst performing stocks[6]

Best	Price	2-week change	1992 EPS[7]	Worst	Price	2-week change	1992 EPS[7]
SyStemix	53 1/2	62%	NA	Best Buy	14 1/2	-40%	$1.56
Summcorp	38	42	$2.68	Good Guys	14 3/4	-39	1.13
Liposome	13 1/8	40	-0.39	Sierra Tucson Cos	16	-28	1.71
Toll Brothers	10 1/8	37	0.49	Diagnostic Products	35 5/8	-27	1.95
Glycomed	18 1/8	36	-0.78	Delta Woodside Inds	17 3/4	-25	2.06

The best and worst performing industry factors[6,8]

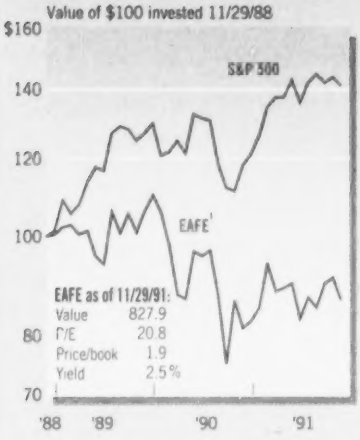
Best	2-week change	Since 12/31/90	Worst	2-week change	Since 12/31/90
Construction	13.8%	12.5%	Precious metals	-5.8%	-18.8%
Consumer durables	13.7	32.7	Photographic, optical	-1.9	4.2
Real estate	12.8	14.7	Oil service	-0.3	-10.2
Beverages	11.8	30.9	International oil	0.2	19.4
Thrifts	11.7	15.7	Liquor	1.2	47.5

Note: Data for period ending 12/26/91. The Barra All-US index consists of all publicly traded common stocks for which price quotations are available and ordinary shares of foreign stocks trading on U.S. markets. ADRs, REITs and closed-end funds are excluded. [1] Total return of a portfolio of more than 150 large-capitalization stocks that has high historical earnings growth and has predicted above average earnings growth. [2] Total return of more than 300 large-capitalization stocks characterized by low price-to-book ratios, high yields and low price-to-earnings ratios. [3] A dollar-denominated capitalization-weighted index of more than 1,000 stocks from Europe, Australia, New Zealand and the Far East. Source: Morgan Stanley Capital International Perspective. [4] Index of 21 commodity futures. [5] Knight-Ridder Financial Information. [6] During the last two weeks. [7] Estimate. Source: Institutional Brokers Estimate System, from I/B/E/S, Inc. [8] Shows return to the industry factor after controlling for other influences including company size, value and growth characteristics. Multi-industry firms have proportional contributions in two or more groups. Principal source: Barra, Inc., Berkeley, Calif.

WORLD MARKETS REVIEW

BY GUSTAVO LOMBO

Foreign vs. U.S. markets



Developed markets

Market	Total return[2] 3 months	12 months	P/E
New Zealand	10%	11%	10
Japan	5	11	36
Belgium	5	3	11
Netherlands	4	10	14
Australia	4	30	16
Norway	-24	-31	11
Finland	-14	-21	53
Sweden	-10	12	16
United States	-4	20	20
United Kingdom	-4	6	15

Emerging markets

	Total return[2] 3 months	12 months	P/E
Region			
Latin America	0%	114%	NA
Asia	-4	2	NA
Country			
Colombia	92	113	17
Pakistan	45	107	17
Venezuela	40	57	25
Zimbabwe	-38	-52	8
Brazil	-28	69	8
Indonesia	-23	-38	14

In 1991 the happiest U.S. investors were those who stayed home. Morgan Stanley Capital International Perspective reports that only three developed markets beat the U.S.—Hong Kong, Australia and Singapore/Malaysia. (These results are through Nov. 29, 1991 and assume that stocks were bought and sold with U.S. dollars.)

Among developing countries, Mexico was a standout, with a 12-month return of 105%. Elizabeth Morrissey, vice president of Kleiman International Consultants, a New York firm specializing in emerging markets, credits the Salinas government's privatization program, plus falling interest rates, an improved earnings outlook and optimism about the free-trade agreement with the U.S. The Mexican market's current capitalization is $86 billion, up from $33 billion in December 1990.

What about 1992? Martin Wade, who manages the T. Rowe Price International Stock Fund, predicts that when European government long-term bond yields (currently over 8%) fall, stocks in the Netherlands, France, Germany and some other European countries will benefit.

Who's hot

Company/Country	Business	Price	3-month price change	P/E
Groupe Victoire/France	insurance	273¼	62%	19
Toyo Ink/Japan	chemicals	5½	49	47
Beazer/UK	construction	2	46	12
Carter Holt Harvey/N Zealand	multicompany	1⅛	37	14
Total CFP/France	energy	196	34	8

Who's not

Company/Country	Business	Price	3-month price change	P/E
Ercros/Spain	chemicals	4	-49%	53
Adia/Switzerland	business svcs	310⅜	-41	7
British Aerospace/UK	aerospace & def	5⅝	-38	4
Linotype-Heil/Germany	data proc equip	187⅛	-37	10
Ericsson B Fria/Sweden	elect & electron	19⅛	-34	7

Cheap foreign stocks

Company/Country	Business	Price	Earnings	P/E
Aegon/Netherlands	insurance	65⅜	$9.74	7
Bayer/Germany	chemicals	167⅞	18.41	9
Endesa/Spain	utility	28½	3.22	9
Hitachi Credit/Japan	financial svcs	11½	0.37	31
Elf Aquitaine/France	energy	69	8.04	9

High-yielding foreign stocks

Company/Country	Business	Price	Yield	P/E
Stockland Trust/Australia	real estate	1⅞	9.8%	12
Powerfin/Belgium	utility	73⅝	9.3	8
Iberdrola I (Iberduero)/Spain	utility	6⅞	8.7	10
Natl Bank of Canada/Canada	banking	9⅞	7.2	9
Hongkong Land/Hong Kong	real estate	1⅛	7.2	11

Note: Data for period ending 11/29/91. Selected stocks have a market capitalization of at least $300 million. [1]Shows price return on the EAFE index of European, Australian, New Zealand and Far Eastern stocks converted into U.S. dollars. [2]Performance numbers reflect both local price change and currency fluctuation. Dividends are reinvested after subtracting foreign withholding tax. NA: Not available. Principal source: Morgan Stanley Capital International Perspective. Emerging markets data provided by International Finance Corporation.